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WHA/EX PLEASE PASS USOAS

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SUBJECT: HAITI ECONOMIC WEEKLY UPDATE FOR SEPTEMBER 14 TO SEPTEMBER 18, 2009

¶1. (U) Summary. This is a weekly report on a variety of topics of interest which do not merit full reporting cables. End summary.

Debt Reduction -----

¶2. (U) On Friday, September 18, Ambassador Kenneth Merten and GOH Finance Minister Daniel Dorsainvil signed a U.S.-Haiti Bilateral Debt Reduction Agreement, forgiving the remaining bilateral debt owed by Haiti to the U.S. The USD 12.6 million debt was forgiven under the terms of the Paris Club, and followed Haiti's achievement of Heavily Indebted Poor Countries (HIPC) completion point at the end June, which triggered a USD one billion in multilateral external debt forgiveness.

Budget -----

¶3. (U) The lower house of the Haitian Parliament received the PetroCaribe Fund report on expenditures for post-hurricane emergency relief in 2008/2009 from the GOH on September 14, the last day of the session. Deputy Levaillant Louis Jeune affirmed that the standing finance committees for both chambers of Parliament will now review the report.

¶4. (U) The GOH has collected HTG 28.8 billion (USD 703 million) in current account revenue through August 2009, achieving 88 percent of its projections. Current account expenditures totaled HTG 30.8 billion (USD 751.5 million) accounting for 99 percent of total FY 09 spending projections. GOH investment spending, however, remains low at 29 percent of FY 09 projections.

¶5. (U) The GOH attached a customs tariff increase to the FY 10 budget when it was presented to the House of Deputies in June. During the budget vote, lower house members gave the green light to the GOH for these higher tariffs on some products. The Finance Committee chairman saw the increase as a government measure to protect the local market as well as to boost much-needed revenues. The tariff increases, however, will apply only to FY 10 and will expire at the end of the fiscal year. (Note: Full Haitian integration into CARICOM, the Caribbean Community, will eventually require nearly across the board increases in external tariff rates, which, except for gasoline tariffs of nearly 60 percent, have been historically very low, usually between 5 and 15 percent. End note.)

¶6. (U) The Senate Finance Committee discovered numerous deficiencies in the text of the budget law, already passed by the lower house of the Haitian parliament. The senators agreed initially to vote in the budget as is and collaborate with the Ministry of Finance to make necessary corrections at a later date, but have now made some minor adjustments and sent it back to the Chamber of Deputies, which will now have to come back in special session to pass the budget before October 1, as mandated by the constitution.

Award Winner -----

¶17. (U) AIC, a small Haitian insurance company, won an honorary mention award in the Pioneers in Prosperity (PiP) search for best regional SME entrepreneurs in the Caribbean. PiP, an arm of the U.S. NGO On The Frontier (OTF), conducts an awards program comprised of national and regional competitions spanning the Caribbean, Africa, and Central America. The competition, designed to highlight the role of SMEs in these poorer economies, is funded partly by the Multilateral Investment Fund of the Inter-American Development Bank (IDB). AIC was one of two Haitian national award winners who went on to the regional competition in Jamaica.

Pig Disease Outbreak

¶18. (U) The latest outbreak of Teschen disease in La Vallee near Jacmel has killed more than five thousand pigs in two weeks. The highly contagious viral disease, new to Haiti, is from an unknown source, since it is not found normally in Latin America. It kills affected pigs in three to five days. In February, cases were reported in Haiti's Artibonite department and in Leogane, a town between Port-au-Prince and Jacmel. The Ministry of Agriculture is cautioning people to be aware of the symptoms and is warning against the consumption of infected pork, although there is no danger of transmission to humans.

Potable Water Assistance

¶19. (U) Taiwan and the Pan American Development Foundation (PADF) signed a project agreement to improve drinking water in the Les Cayes-Jacmel area in the South and Southeastern departments of Haiti. The USD 200,000 project will benefit 900 people.

Real Estate

¶10. (U) Senator Rudy Heriveaux announced he will initiate a bill in the Haitian senate to address the high cost of renting real estate in Haiti. The bill proposes to limit the rental rates for an individual building to 0.5 percent/month of the building's appraised value. The law, designed mainly to deal with high residential rental rates, could have a negative effect on the commercial rental market, where one percent/month would be more the norm. (Note: Port-au-Prince is suffering from high residential rates due partly to large numbers of expatriates in NGOs and the UN Peacekeeping Mission pushing up demand. Commercial/industrial properties, meanwhile, are few in number yet few are currently under construction for lack of credit and investment. End nte.)

Aviation

¶11. (U) This week in Santo Domingo, Haiti's Civil Aviation Office (OFAC) Director General met with the Dominican Republic's Directorate of Civil Aviation to begin discussions over an air traffic agreement between the two countries. In an unrelated development, it has been rumored that American Airlines may soon begin service between Port-au-Prince and Santo Domingo